Audit's NEWS ANALYSIS OF SECURITIES OF REAL ESTATE INVESTMENT TRUSTS

Realty Trust Review

January 13, 1975

VOL. VI, No. 1

VALUE GUIDE TO TRUSTS REVIEWED THIS ISSUE

Trust	1975 Result	Rel. Appeal	Port. Yield	-12Mo.Port.Chng.- Last	E.Next	Lever. Ratio	Price	Ann. Yield*	Div. Reinv.	Page
Denver R.E.I.	+13.0	3	15.70%	E60%	10%	E4.50	6.38	11.0	No	7
Federal Rlty.	+55.4	2	18.87	0	5	3.00	7.13	14.0	Yes	5
Fla. Gulf Rlty.	+40.7	2	12.38	-3	0	1.06	7.50	17.1	No	3
Hubbard R.E.I.	+10.4	2	9.11	-2	1	0.00	11.75	13.6	Yes	3
Pennsylvania REIT	28.7	3	13.78	7	1	2.75	8.00	14.4	No	4
REIT of America	8.7	2	14.09	5	3	0.24	14.88	9.4	No	8
Riviere Rlty.	+6.1	2	13.52	1	3-5	2.05	8.25	12.1	Yes	5
Washington REIT	+20.3	2	20.23	9	3-5	1.00	13.13	9.7	Yes	6
AVERAGE	8 | 183.0 +22.9		14.71%	+10%	3.5%	1.83		12.7		

* Based on annualized latest qtr.

These three measures are selected to aid investors. Averages for the measures are shown so each trust may be compared to the average. Portfolio yield is a general measure of risk to the investor, with highest yield typically the riskiest for mortgage trusts. This connotation does not apply to equity trusts since manner of purchase and lease terms can cause wide variations. Changes in funded portfolio indicate relative dynamism of increases in earning assets, although holdings of equity trusts typically will increase much more slowly than mortgage trusts. Leverage ratio indicates a trust's ability to obtain external non-convertible funds, although recent financings or policy decisions may lower this ratio temporarily. Leverage is the ratio of all non-convertible debt to the trust's capital (equity plus convertibles plus subordinated debt). Ratios above 3.0 are rare and may portend capital financing. NE-No estimate.

Trusts with dividend reinvestment plans for shareholders are indicated above. Further information is available from the trusts themselves. Statistical summaries for each trust reviewed show the trust's operating record for the four latest quarters, including ranges for share prices and dividend yields. Price ranges are those for calendar quarters. Where calendar quarters and a trust's interim do not coincide, prices are shown for the calendar quarter covering two months of the trust interim.

SMALLER EQUITY TRUSTS: CAN 1974's BEST PERFORMERS REPEAT?

Six of the eight trusts reviewed this issue placed among last year's top 15 percentage performers among REITs. Five of the 6 out-performed the Dow-Jones Industrials. That puts them in a very special class and so the real question is whether they can repeat.

As we noted last issue, that's easier said than done. Seldom have the best performers from one year repeated. However with general stock markets down two years running, three of last year's best performers (see RTR, Dec. 23) were also sturdy performers in 1973. Those three were Washington REIT, Riviere Realty and REIT of America, all reviewed this issue. Keep in mind that conditions in one year seldom duplicate those of the preceding year, making back-to-back strong performances that much rarer.

With that caveat, the smaller equity trusts still look very good overall. So good in fact are their prospects, coupled with a most promising turn in the money markets, that we have upgraded our relative appeal ranking of nearly all eight. All are worth your intensive study and most should make rewarding longer-term holdings from today's prices, depressed by year-end tax selling. We feel this way partly because none of the eight are Johnny-come-latelies. One, REIT of America, traces back to 1886 and is the oldest U.S. REIT; four (Denver, Pennsylvania, Riviere and Washington) were formed in the early 1960s and are now ending nearly 15 years of operation; two others, Federal and Hubbard, are in the five-ten year range, and the last, Florida Gulf, is essentially a group of

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properties managed privately before coming public two years ago. Overall these properties and management groups have stood the test of time as well as any group in the REIT industry.

Another hallmark of these trusts is a generally conservative approach to management and leverage. Equity trusts, you should note, are generally leveraged with secured mortgages; this means that if a property becomes vacant and unrentable, the mortgage holder may take the property but cannot collect anything from other trust assets. In today's uncertain times the distinction could be crucial, one reason we are ranking these trusts so highly. In contrast, bank lenders under open unsecured lines of credit may in theory proceed against all trust assets for repayment. For this reason we indicate in each month's relative appeal rankings those trusts with high amounts of secured debt. One trust reviewed, Hubbard, is so conservative that it has no leverage at all and all property is held subject to net leases, something akin to a bond. REIT of America has a low 0.2-1 debt/equity ratio.

In considering equity trusts, short-run portfolio growth is far less important than for mortgage trusts. Thus only Denver has had rapid asset buildup in the last year and little growth is expected the next. Don't be fooled by Wall Street's growth cult on this point; assembling a portfolio of good properties is a bit like collecting art because a great deal of time and care is required. Thus even within trusts we have ranked No. 2 (above average) there are wide variations in real estate quality, with Washington and Federal holding properties of higher quality and potential (our opinion) than the others so ranked.

Our potential cloud for the group is a recent IRS attempt to sever adviser duties from property management duties. It appears the IRS has put this effort aside for a time (see discussion under Federal) but should be watched. On balance, however, these trusts have performed relatively well in recent months, Washington decisively so as shown by the relative momentum lines on the graphs below. We think there's a good chance they'll continue to do so, especially if the market holds at current levels while the Federal Reserve eases credit. Longer-term, most have some inflation hedging characteristics. The six trusts ranked No. 2 obviously are favored for putting tax-loss selling proceeds to work. All are valid income producers. Best value is Federal, best quality Washington, highest yield Florida Gulf.

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A caution: Short-term mortgage trusts have rebounded sharply from their depressed prices in the first few days of 1975. Please don't be suckered into this game. Most short-term REITs are now or soon will be under revolving credit agreements with banks which effectively are involuntary receivership agreements structured to repay bank debt. New commitments are almost completely banned. Without new commitments, good loans will be repaid and funds used to pay the banks while bad loans remain on trust books. Under these conditions, some construction lending REITs could move toward 100% non-earning loan status. These conditions are not conducive to sound investing.

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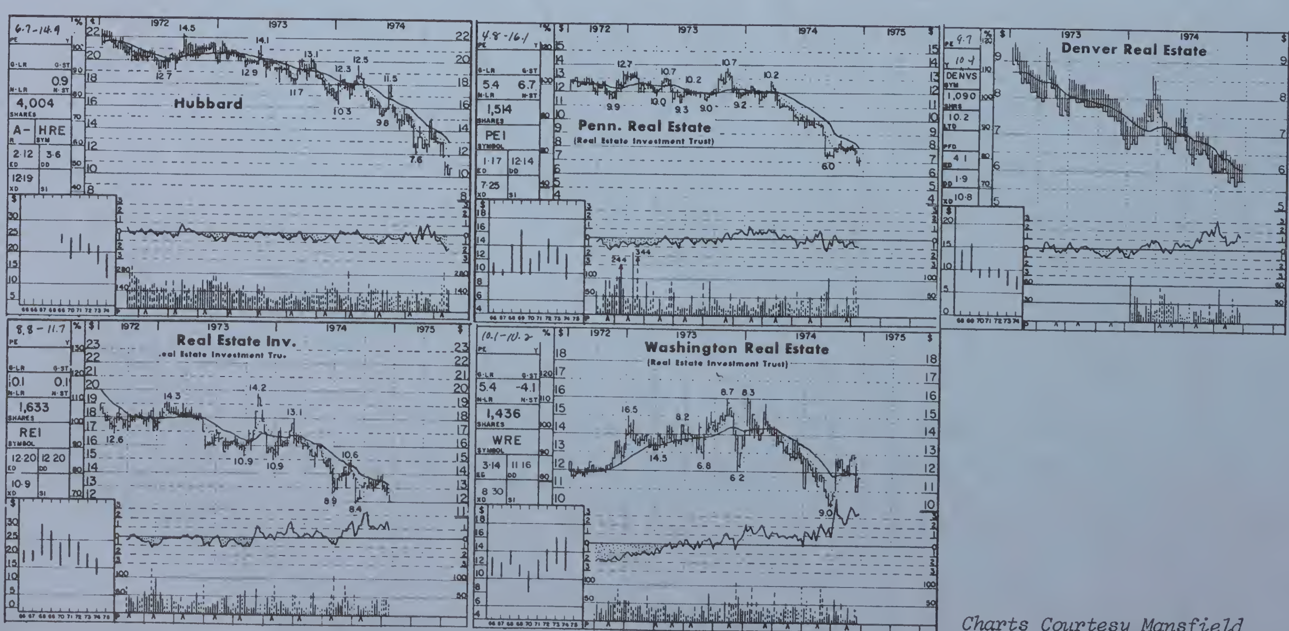

Charts Courtesy Mansfield

FLORIDA GULF REALTY TRUST (7½ --OTC-FGLFS) FY Apr. 30

Quar.	Port.	Port.Yld.	Non-earn.Inv.	Cash Flow	Div.	--Price range--	-Yld.range-
1/74	$34.8M	12.75%	0 %	$0.44	$0.40	$18.25 - 11.75	13.6 - 8.8%
4/74	34.6	12.31	0	0.36	0.40	16.25 - 12.50	12.8 - 9.9
7/74	34.3	12.80	0	0.35	0.32	14.00 - 9.25	13.8 - 9.1
10/74	34.1	12.38	0	0.32	0.32	11.50 - 7.00	18.3 -11.1

Portfolio dynamics: This equity trust has all its investments in real estate with 23% in improved land and 77% in buildings and improvements. The portfolio decreased 3% in the last year due to higher accumulated depreciation. No new additions to the portfolio are planned presently but the trust is negotiating for additions to existing shopping center properties. By type of property the portfolio is 93% shopping centers which total 13 in number, and 7% low and mid-rise office buildings, eight in total. All investments are located in Fla. with the exception of one shopping center in Va. The shopping centers have 99% occupancy and net rentable space amounts to 1.9 million sq.ft., or an average 148T sf. With the exception of two shopping centers all are neighborhood or community centers. More than 77% of tenants have triple A-1 credit ratings and include such organizations as Winn-Dixie (located in 9 centers), Belk-Lindsey and F.W. Woolworth. Two shopping malls located in the Daytona Beach area comprise about 38% of the total portfolio. Management states that these two malls are well located and can meet the competition presented by two malls recently opened there. The eight office buildings have 104T sq.ft. of rentable space and are rented to state and federal agencies. About 20,000 sq.ft. are presently vacant, 19% of office space but only about 1% of total rental space of the entire portfolio. The trust is presently negotiating to rent this space. There will always be a higher vacancy factor in the office building portion of this portfolio because all leases are short-term ones. The trust has percentage rental provisions at most shopping centers, and overage rents were $501T in FY 1974, or 11½% of gross rents.

Financing: The trust is funded 49% by capital and 51% by non-convertible debt. Capital is all equity with 975,000 shares. Debt is 50% mtg. and 50% short-term bank lines. Only four of the trust's 21 properties have mortgages. Some 26% of the trust's funds float with market rates. The trust is investigating a possible fixed rate loan to replace the short-term bank lines. Sponsor: Loeb, Rhoades & Co. a stock brokerage firm. The adviser to the trust, LR Management, Inc., is 85% owned by Loeb, Rhoades. The adviser manages the 13 shopping centers while an unaffiliated party manages the 8 office buildings. Results & outlook: The trust's method of accruing overage rental income causes a higher volatility in quarterly results than is typical for many other equity trusts. Such rents peak in January and July quarters, coinciding with the fiscal years of large tenants. This plus rising interest rates account for all the fluctuation in dividends from 40-cents quarterly to 32-cents recently. January percentage rental figure should be better due to holiday sales. High interest rates will continue to hurt trust's earnings until rates fall significantly or fixed-rate financing is finalized. Heavy concentration in soft Florida markets should not impact trust's base revenues since tenants are credit worthy operations. Trust's overage rents, while volatile, should provide a longer-term hedge against inflation. Trust's relative appeal is being upgraded to a "2" ranking due to quality of the portfolio, manageable vacancy factor and better earnings outlook once permanent fixed-rate financing is obtained. (VCK)

HUBBARD REAL ESTATE INVESTMENTS (11-5/8--NYSE-HRE) FY Oct. 31

Quar.	Port.	Port.Yld.	Non-earn.Inv.	EPS Prim.	Div.	-Price range-	-Yld.range-
1/74	$94.1M	9.22%	0.0%	$0.40	$0.39	$20.38 - 16.25	9.6 - 7.7%
4/74	93.6	9.11	0.0	0.39	0.40	19.63 - 16.63	9.6 - 8.2
7/74	93.0	9.11	0.0	0.40	0.40	18.00 - 15.13	10.6 - 8.9
10/74	NA	NA	0.0	0.41	0.40	15.88 - 12.00	13.3 -10.1

Portfolio dynamics: The portfolio, which in the past twelve months declined by 2%, is 88% real estate owned and 12% mtg. A mtg. amounting to $2.9 million, or 3% of the portfolio, will expire in January. Management at present has no fixed plans for reinvestment. There will however be additions to the portfolio in fiscal 1975. The 88% of the portfolio in real estate owned (17% land and 71% building) is all net leased properties which means that the trust has no management or operating responsibilities.

At present all properties are occupied. The 65 properties under net lease break out 41 food chain stores, 13 department stores, 7 industrial distribution centers, 3 industrial service centers (land only) and 1 corporate office and research facility. The properties are located in 22 states with largest investments located in Ohio and Calif. Tenants and their percentages of dollar investments in net leased properties are: 28% W.T. Grant, 22% Safeway stores, 21% each Ashland Oil and Chrysler, 5% Broadway-Hale, 2% Alpha Beta Acme Markets and 1% International Harvester. W.T. Grant recently announced that it will be closing 66 stores. Two of the net leased properties of Hubbard believed to be in Erie, Pa. and San Jose, Calif. are involved but management states that W.T. Grant is liable on the lease and must find replacement tenants. During fiscal 1974 a Safeway store in Alexandria, Virginia was sold back to Safeway for a net gain of $26,664. In December, the trust invested $500,000 in additions to three Safeway stores located in Phoenix and Prescott, Ariz. and Taos, N.M.

Financing: Trust is funded 100% by $93.8M of shareholders equity and there are 4.00M shares outstanding. Trust utilizes its depreciation to make new investments. This unleveraged stance will be maintained as the trust has no plans to use bank debt for any new investments. Sponsor: The trust's adviser, Merrill Lynch, Hubbard Inc., is a subsidiary of Merrill Lynch, Pierce, Fenner & Smith Inc. largest U.S. stock brokerage house. Results & outlook: Since trust has no borrowings, high interest rates have not affected results. Straight-line depreciation charges are leveling and thus earnings are under no pressure. Since W.T. Grant must make good on its leases, widely publicized financial troubles of this company should not affect the trust's earnings. Trust shares are being upgraded to a "2" relative appeal ranking because fears of a Grant collapse have driven the stock well below prices we believe are justified by the trust's unleveraged property holdings and immunity from interest rate swings. At these prices some recovery is likely. (VCK)

PENNSYLVANIA REAL ESTATE INVESTMENT TRUST (7-5/8--ASE-PEI) FY Aug. 31

Year	Port.	Port.Yld.	Non-earn.Inv.	Cash Flow	Div.	-Price range-	-Yld.range-
8/71	$54.7M	13.22%	0.0%	$1.24	$0.85	$13.50 - 10.50	10.9 - 8.5%
8/72	57.8	13.50	0.0	1.36	0.90	15.00 - 11.50	11.0 - 8.5
8/73	65.9	13.83	0.0	1.56	1.05	13.75 - 11.25	8.8 - 7.2
8/74	70.4	13.78	7.5	1.26	1.15	12.75 - 6.75	17.0 - 9.0

Portfolio dynamics: In the past year this equity trust increased its portfolio by 7%. The increase came from the real estate owned section of the portfolio as the mortgage section declined. At present the trust has no commitments to acquire specific properties. The portfolio at Aug. 74 year-end was 95% real estate owned and 5% mtg. The real estate owned portfolio by project type was 37% shopping center and retail stores, 32% apartments, 12% land and construction in progress, 9% motel, 6% industrial properties, 3% office building and 1% ground leases. The properties are located in 14 states concentrated in Pa. Of the 34 completed properties owned, 10 are net leased meaning the trust does not have operational or management responsibilities. Overall vacancies on the completed properties are about 2%. The trust has two properties under construction at present, Lakewood Hills Apartments, Phase II in Harrisburg, Pa. and East Towne Mall in Lancaster, Pa. (the trust has a 50% interest here). Both properties are about 90% complete and leasing has been satisfactory. The trust also has six parcels of land held for development. In order to increase its equity holdings the trust has gone into joint ventures. At present, 16 of its 34 completed projects, one of its 2 properties under construction and 5 of its 6 tracts held for development are joint ventures. In Aug. 1974 a subtenant of the Fontainbleau Motor Hotel in New Orleans filed for reorganization under Chapter 10. The depreciated cost of this motel holding of PREIT at Aug. 74 was $5.3 million or 7.5% of the entire portfolio. The trust has set up a reserve of $787,000 to cover its net equity in this property. The trust is still attempting to gain possession of the motel.

Financing: PREIT is funded 73% by non-convertible debt and 27% by capital. Capital of $18.7 million is 89% equity with 1.52M shares, 9% of 6-3/4% convt. subor. deben. and 2% of 6-1/4% subor. deben. Debt of $51.4 million is 84% in secured mtg., 10% in short-term bank loans and 6% in constr. loans payable. About 12% of total funds float with

market rates. During fiscal 1974, the trust reduced its bank debt from a high of $13.5 million to $5.2 million. Sponsor: Independent. Results & outlook: In Dec., the trust declared a semi-annual dividend of $0.575, indicating continuation of the $1.15 yearly rate paid in fiscal 1974. Fiscal 1974 results were down due to the special loss reserve addition of $787,000 ($0.52 per share) on the New Orleans motel as well as higher interest costs. During fiscal 1974 the trust realized a gain on sale of real estate of $1.5 million ($0.98 per share) not included in the cash flow figure above. Although the trust has written off its equity investment in the motel, this holding still represents 7.5% of the portfolio which is not producing income. The portfolio otherwise appears sound. A "3" ranking is being maintained on the trust's shares. (VCK)

RIVIERE REALTY TRUST (8-1/4--OTC-RIVI) FY Dec. 31

Year	Port.	Port.Yld.	Non-earn. Inv.	Cash flow	Div.	-Price range-*	-Yld.range-
12/71	$15.6M	15.20%	0.0%	$0.98	$0.88	$8.88 - 7.50	11.7 - 9.9%
12/72	15.8	14.25	0.0	0.89	0.90	10.13 - 9.13	9.9 - 8.9
12/73	21.3	13.52	0.0	0.92	0.96	11.13 - 9.50	10.1 - 8.6
12/74	NA	NA	NA	NA	1.00	9.50 - 8.00	12.5 -10.5

*Price ranges are from RTR.

Portfolio dynamics: It appears that there was little portfolio growth during the twelve months ended Dec. 31, 1974. The trust is presently negotiating refinancing some of its properties and plans to use proceeds to expand its equity holdings. This equity and mtg. trust made no new mtg. loans in 1974. At June 30, 1974 the portfolio was 69% real estate and 31% mtg. The equity portion of the portfolio consisted of eleven properties with the following project type breakdown: 49% apartments, 29% office buildings, 12% shopping centers,9% nursing center and 1% bowling lane. Five of the eleven properties are net leased. Properties are located in six states and Wash. D.C. Occupancy is holding up well but management states that there is some softness in the trust's apartments in Indianapolis and Virginia Beach. In Dec. the trust exercised its option to purchase a 50% interest in Loehmann's Plaza Shopping Center in Fairfax, Va. The transaction becomes effective in January, 1975. All trust mtg. loans float with market rates. In Dec. the trust foreclosed on a $265,000 land loan in Saginaw, Mich. It appears that the trust will be bought out. On Dec. 31, the trust took title to land in Nags Head, N.C. where the trust had a wrap-around land loan amounting to $471,000 on two parcels of land. Sale of the land is being contemplated. These two investments amount to about 3% of the June portfolio.

Financing: Riviere is funded 33% by capital and 67% by non-convertible debt. Capital of $7.1 million is all equity with 783T shares. Debt of $14.6 million is 68% secured mtg. and 32% bank loans. Trust has bank lines of $4M with two Wash. D.C. banks. Riviere is considering a debt issue of about $5M and would utilize the proceeds to purchase additional equity investments. Sponsor: J. D. Riviere & Co., Inc. a Wash. D.C. real estate firm. Results & outlook: For the nine months ended Sept. 1974 cash flow per share amounted to $0.83 per share. It thus seems likely that cash flow per share for the year ended Dec. 1974 was modestly above that of Dec. 1973. Also in a year of declining or non-existent REIT dividends, Riviere was able to increase slightly its dividend from 96-cents to $1.00 annual rate. Problem loans are small and appear manageable. Properties appear of good quality and well located. Shares were among the best performing REIT's last year (see RTR, Dec. 23), mostly because of dividend stability and increases. If trust can obtain additional funds from public at attractive rates, some portfolio growth might add to appeal and boost the relatively small investment size. Shares are being upgraded to No. 2 ranking relfecting this potential. (VCK)

FEDERAL REALTY INVESTMENT TRUST (7-1/8--OTC-FDRLS) FY Dec. 31

Quar.	Port.	Port.Yld.	Non-earn.Inv.	EPS Prime	Div.	-Price range-	-Yld.range-
12/73	$26.7	23.79%	0.0%	$0.31	$0.24	$10.50 - 8.75	11.0-9.1%
3/74	26.5	17.09	0.0	0.16	0.24	9.75 - 8.25	11.6-9.9
6/74	24.6	22.02	0.0	0.44#	0.24	9.38 - 7.50	12.8-10.2
9/74	26.9	18.87	0.0	0.23	0.24*	8.38 - 6.75	14.2-11.5

*Div. raised to $0.25 in Dec. Quar. #Incl. $0.17 capital gain.

Portfolio dynamics: The total portfolio was little changed in size over the year, the major change being in composition with the sale of an apartment building and the purchase of a 75% interest in a shopping center. Holdings are all equity, mostly around the Washington, D.C. area. The rental revenue mix during 1973 was 66% from apartments and 34% from shopping centers. The latter, however, accounted for more of cash flow, 57%. The relative value of shopping centers is increasing for the trust with its additions over the year in that direction. Properties number 17: 6 apartment projects, 8 shopping centers, 2 leased department stores and 1 office building. These provide 1,163 apartments and over 1 million sf shopping space. All the apartments are in the Washington, D.C. area - Maryland and Virginia. While the shopping centers are also mostly in the D.C. vicinity, the more recent center acquisitions have been in Illinois, North Carolina and a Forest City store in Michigan. The trust purchases only developed centers with known tenancy. All are more than five years old. Purchases are selective as to location and type. The trust specializes in the local convenience type center in heavily populated urban-like communities, not inner cities but close-in suburbs of major cities. The center's mix is paramount too, the trust is soft goods rather than hard goods oriented. Thus its tenants are mostly food stores, drug stores, banks, barbers, beauty shops, hardware stores, etc. rather than large department or discount stores. The only mall center was acquired last August (75% interest) in Elizabeth City, N.C. This is the only major center in the county. Properties are fully occupied for practical purposes. The shopping centers have only 1,000 sf vacant. There were 20 empty apartments at the beginning of the month, frictional turnover which will fill later in the month. Operating margins have held up well despite general cost difficulties. The shopping centers are protected by escalation clauses on variable expenses and tenants pay for fuel in all but Elizabeth City where tenants pay the common area. Where the trust doesn't get straight escalation, the tenants pay a fixed minimum plus a percentage of the higher costs. Apartments continue to make money. High rises are more of a problem as fuel costs are a larger operating expense than for garden apartments. But high rises are not a significant part of the portfolio. The garden apartments are doing exceptionally well. Rent control is not too troublesome overall. It is a limiting factor in Montgomery County, Md. Federal is well situated with apartment fuel. Two projects having over half its apartments have tenants paying their own gas and electricity.

Financing & liquidity: Total funds of $26M are 75% debt and 25% equity with 745T shares and 230T warrants. Debt of $19.6M is 90% secured mortgages on property and 10% short-term bank notes. The trust's properties are under-mortgaged. Some apartment projects are mortgaged at $5-10T a unit and some shopping centers at only six times cash flow. With debt amortization running heavy, the trust will be in an even better position to refinance if the long-term funds become available. Management desires to do so. Also, less than half bank lines are being used. Sponsor: Investor Service, independent, which also manages most of the trust's property. The IRS recently deferred ruling to April 1975 as to whether an adviser could also manage a trust's properties and have the income qualify. Results & outlook: Operating earnings, before the capital gain, for the Sept. quar. and nine months ran ahead of last year. This resulted primarily from higher overages at shopping centers but also from continued high operating performance in apartments. The Dec. quar. is believed to have maintained the trend, reflected in the dividend increase to $1.00 annual rate. Net cash flow was over $1/sh. in 1974 from the $0.95 in 1973. The shares are an extremely worthwhile yield and value investment as the current return is 14% and the price ratio 7 times net cash flow. The underlying recession resistance caliber of the properties merit raising the relative appeal ranking to "2". (BS)

WASHINGTON REAL ESTATE INVESTMENT TRUST (12-3/4--WRE-ASE) FY Dec. 31

Quar.	Port.	Port.Yld.	Non-earn.Inv.	Cash flow	Div.	-Price range-	-Yld.range-
12/73	$28.0M	19.04%	0.0%	$0.33	$0.30	$16.00-12.00	10.0-7.5%
3/74	27.8	18.95	0.0	0.33	0.30	16.00-13.75	8.7-7.5
6/74	27.6	19.60	0.0	0.36	0.30	14.38-11.13	10.8-8.3
9/74	28.9	20.23	0.0	0.36	0.30	12.75-10.13	11.8-9.4

Portfolio dynamics: This equity trust's portfolio is all real estate owned. During the past year investments increased 9%. In 1974 no properties were sold but one was purchased, the Congressional-HUD Center, an office building in downtown Washington, D.C., 130T sf leased to the U.S. Government. Since the trust has $2 million cash and four mortgage free properties, new portfolio additions are likely in 1975. The real estate holdings consist of 18 properties - 5 shopping centers, 3 office buildings, 3 distribution centers and 7 high-rise semi-luxury apartment buildings. Properties are in metropolitan and suburban Wash., D.C. Property types are: 57% apartments, 22% shopping centers and 21% office buildings and distribution centers. Apartments contain 1,926 units while there is 409,736 sf of office building and distribution center space. Three shopping centers have 259T sf of space and the other two centers have 12.5 acres of land. Occupancy is good with no real vacancy except in apartments. The tight rental apartment situation in Wash., D.C., where the trust holdings are located, would prevent significant vacancies.

Financing: The trust is funded 50% by capital and 50% by non-convertible debt. Capital of $15.5 million is 98% equity with 1.46M shares and 2% in 6-3/4% convertible subor. deben. Debt of $15.5 million is all secured mtg., long term. The trust has $2 million in cash so liquidity is no problem. Sponsor: Independent, trust is managed by its trustees. Results & outlook: For the Dec. qtr. a $0.32/sh. dividend was declared. This 7% increase in dividend reflects the quality of holdings and management. This regional trust has stayed at home and avoided problems. Financially secure and fluid, the trust will be able to select good portfolio additions. Therefore, WRE remains among the best "2" ranked REITs. (VCK)

DENVER REAL ESTATE INVESTMENT ASSOCIATION (6-3/8--OTC--DENV) FY Dec. 31

Quar.	Port.	Port.Yld.	Non-earn.Inv.	EPS	Div.	-Price range-	-Yld.range-
3/74	$32.4M	14.4%	0.0%	$0.16	$0.15	$8.13- 6.63	9.0 - 7.4%
6/74	31.9	15.7	0.0	0.17a	0.15	7.63- 6.50	9.2 - 7.9
9/74	37.6	NA	0.0	0.16	0.15	6.63- 5.88	10.2 - 9.0
12/74	E50.0	NA	0.0	E0.15	0.25b	6.13- 5.38	13.0 -11.4

a-After 9-cents proxy contest expenses. b-Includes 10¢ special.

Portfolio dynamics: The trust retained a new adviser in May 1973 and since then the portfolio has grown quite rapidly, with two large transactions in the second half of 1974 pushing invested assets to an estimated $50 million at year-end. These deals will increase holdings by about 60% for the year, quite an achievement for a trust recently criticized for lack of aggressiveness and made during generally unfavorable real estate conditions. The magnitude of these changes cannot be understood without looking at the portfolio a year ago, Dec. 31, 1973. Then total real estate investments of $31.1M net of depreciation were 10% in first and second mortgages, 3% in partnership interests, and 87% in property holdings. Property was broken down 30% in two motels/hotels with 654 rooms; 27% in 9 apartment projects with 800 units; 18% in three shopping centers with 428T sf net; 9% office; and 3% commercial. Major holdings then were a new Stouffers Denver Inn, near the airport, 22% of investments; a one-half interest in the Lakeside shopping center and commercial complex, 15% of investments; and the Capitol Plaza Inn, an in-town motel, 8%, all in Denver.

During the past year the trust agreed to sell the Capitol Plaza Inn, with closing of this unleveraged building set for April 1975; bought for $5.9M the other one-half of the Lakeside complex, and paid $13M for the Diamond Hill office complex near downtown Denver. Capitol Plaza was sold because expenses had risen, reducing net income, and because a dispute had arisen with the operating tenant. The sale should produce about a $191T capital gain, equal to $17½-cents/share. The trust's joint owner in Lakeside, the Arthur E. Johnson Foundation,offered its interest for sale and the trust was able to negotiate excellent terms: $500T cash down, $2.5M in 9% notes payable over five years, and assumption of $2.9M in mortgages. The Diamond Hill complex, put up by a leading local developer in recent years, gives the trust four office buildings with about 350,000 sf and again the purchase was structured to minimize trust cash investment: the $13.0M price was paid with $570T cash down, $1.4M payable this spring, $570T payable upon rental achievements (buildings are about 70% occupied now), and assumption of a $10.5M first mtg. The developer, who has leased back the property, guarantees the trust all debt service plus 10% return on its cash investment for the first five years, plus higher returns later with overage

rents. The Stouffer Inn has been about holding its own this year in face of new competition. Other properties are performing above year-ago results, aided by property manager changes; apartments have a 6% vacancy, good for soft Denver. The net result of the 1974 transactions has been to increase leverage, all with secured debt, from about 2.1-1 a year ago to about 4.5-1 now. Results from these major properties will dominate earnings in 1975.

Financing: At June 30 trust funds of $37.3M were 26½% capital and 73½% non-convertible debt. Capital of $9.9M is all equity with 1.09M shares. Debt of $27.4M is 79% mtg. debt secured by properties and 21% in 8¼% debentures. No new financing is believed likely. Sponsor: Independent. Trust formed in 1961 and headed by prominent Denver businessmen. In May 1973 trust ceased self-administration and retained Swanson Properties Ltd. of Denver as adviser. Early in 1974 a Denver developer, Gerald M. Greenberg, waged a proxy fight and was elected a trustee. Results & outlook: Although 1974 results are not announced, they are expected to have approximated 70¢-share and trustees declared a 10¢ year-end extra dividend plus the 15¢ quarterly. Improved property results plus higher mortgage interest were the keys. Addition of the remaining half-interest in Lakeside (a known quantity) should aid 1975; Diamond Hill was acquired primarily to provide cash flow to build a sinking fund for the debentures beginning in 1976. Overall results should be up in 1975; we are raising the trust to No. 3 ranking to await operating histories for the new properties. Dividends were 30% tax-exempt return of capital in 1973. (KDC)

REAL ESTATE INVESTMENT TRUST OF AMERICA (14 7/8--ASE-REI) FY Nov. 30

Quar.	Port.	Port.Yld.	Non-earn.Inv.	EPS	Div.	-Price range-	-Yld.range-
2/74	$38.7M	13.26%	0.8%	$0.50	$0.35	$18.00-15.63	9.0 - 7.8%
5/74	38.3	17.74	0.8	0.32	0.35	16.25-12.50	11.2 - 8.6
8/74	40.4	14.09	0.0	0.39	0.35	14.88-11.88	11.8 - 9.4
11/74	NA	NA	E0.5	0.38	0.35	13.88-12.00	11.7 -10.1

Portfolio dynamics: Growth has been moderate in REITA, oldest realty trust dating to 1886. Holdings are entirely property and at Nov. 1973 were 38% shopping centers, 22% office buildings, 16% light industrial, 13% land ground leased or held for development, 10% in other retail. A total 47 parcels are held in 14 states, with 44% of assets in California and 16% in Massachusetts. Four properties account for over 50% of book value: Country Club Shopping Center of 605T sf in Sacramento, Cal.; Broadway Shopping Center with 328T sf in Walnut Creek, Cal.; five industrial buildings in Cambridge, Mass. and an older downtown Boston office building. Other holdings are diversified geographically. Trust has just signed Montgomery Ward to build a 160T sf full-line store at Country Club Center and trust will spend $2.5M to enclose the center's mall. Trust hopes improvements will stimulate results there, which have been lagging. Problems have been well controlled; a small retail outlet in Alabama became vacant and was recently sold at a modest loss. Currently a 77T sf discount store in Mission, Kan. and small retail unit in Framingham, Mass. are vacant; the tenant in the latter is in Chapter XI. Rents from these units are about 1½-cents/share per quarter but the trust has a good long-term record in resolving similar difficulties. It is just completing takeover of an office building in Washington, D.C. where the land tenant defaulted, and expects to increase total return slightly based on current lease negotiations with the General Services Admin.

Financing: Funds of $43.1M are 80% shareholders' equity with 1.63M shares and 20% in mortgage debt secured by properties. The 0.2-1 leverage ratio is one of the industry's lowest. Sponsor: Independent, with trustees serving for life. Boston's Minot, DeBlois & Maddison, Inc. acts as property manager. Results & outlook: Trust has excellent record of resolving minor problems and maintaining steady dividend. Low leverage has aided this goal. Trust has in past exchanged shares for properties, obtaining longer-term growth through this route. Fiscal 1974 results were aided by higher returns from two industrial parks in Atlanta and Los Angeles, while office rentals, primarily in Boston, were down slightly. Historically internal rate of return has been below that of other equity trusts, about 8% now. With recent strength, shares are priced about 30% below depreciated book value where they yield slightly below 10%. Shares are excellent conservative longer-term holding and are being upgraded to No. 2 ranking. (KDC)